



AMERICAN ASSOCIATION OF PORT AUTHORITIES

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Good morning, Mr. Chairman and members of the Subcommittee. I am Noel Cunningham, Director of Operations and Emergency Management for the Port of Los Angeles. Today, I am speaking for the American Association of Port Authorities' (AAPA) U.S. Delegation, and for the San Pedro Bay ports of Los Angeles and Long Beach, commonly referred to as the Los Angeles/Long Beach Port Complex. Founded in 1912, AAPA represents 150 public port authorities throughout the United States, Canada, Latin America and the Caribbean.

Port security is the top priority for AAPA's member ports. Our concerns focus on complying with the new regulatory requirements and on increased federal funding to improve port security infrastructure projects to meet the increased demands placed on our nation's ports to safeguard our borders, while continuing to keep the flow of cargo and international trade moving forward.

My testimony will review the port industry's experiences in implementing "*The Maritime Transportation Security Act of 2002*" (MTSA), as well as speak to H.R. 3712, "*The U.S. Seaport Multiyear Security Enhancement Act*" sponsored by Representative Juanita Millender-McDonald, and H.R. 2193, "*The Port Security Improvements Act*" sponsored by Representative Doug Ose. Both of these bills focus on AAPA's top priority and the most important challenge currently facing the U.S. port industry, and that is obtaining sufficient federal financial assistance to fund port security infrastructure projects that will address all of the vulnerabilities ports face.

THE IMPORTANCE OF MARITIME TRADE AND PORTS

As you are aware, Mr. Chairman, more than 95 percent of U.S. overseas trade moves through our seaports. As a premier U.S. port of entry for cargo, the Port of Los Angeles is the seventh largest container port in the world, and number one in the United States. Together, with the Port of Long Beach, we handle more than 42 percent of the containerized commerce imported into the United States. The Los Angeles/Long Beach port complex is the third busiest port in the world. Furthermore, the Port of Los Angeles is the fourth busiest cruise port in the U.S., and is number one on the West Coast, managing the movements of more than one million passengers annually.

Trade through the Port of Los Angeles has grown steadily by an estimated 20 percent each year over the last five years, and we expect this trend to continue. Likewise, the industry expects national maritime trade volumes to double by the year 2020, although some economists have predicted that such doubling may occur as early as 2014 due to the demands of the American marketplace.

In the event of an incident that shuts down the nation's ports, we are responsible to efficiently move cargo into the stream of American commerce. A recent example of the effects of a shutdown was realized in the fall of 2002 when a labor lockout caused a 10-day shutdown of the Los Angeles/Long Beach port complex and brought trade to an immediate halt. This action cost the nation's economy an estimated \$1 billion a day, which included the unavailability of goods and products that Americans rely upon daily. A healthy U.S. economy relies heavily on secure, functioning ports throughout the United States. Therefore, it is imperative that Congress make adequate seaport security funding a priority.

MARITIME TRANSPORTATION SECURITY ACT REGULATIONS

Following the tragic events of September 11, 2001, Congress enacted MTSA. The U.S. Coast Guard rapidly developed regulations to establish security standards for port facilities. These regulations required the terminal operators to submit their facility security plans by December 31, 2003; the deadline for implementation is July 1, 2004. This aggressive schedule has posed significant challenges, for both the Coast Guard and the port authorities. For example, the MTSA envisioned the Coast Guard conducting assessments that would be the basis for facility security plans. Due to the tight deadline, this burden was placed on individual facilities. The regulations also allowed some flexibility through alternative security plans, but many of these plans are still under negotiation with the Coast Guard. The tight deadline leaves little time to negotiate changes before July 1.

However, we are pleased to report that all of the facilities within the Los Angeles/Long Beach port complex – cargo terminals, liquid bulk and dry bulk terminals, and the World Cruise Center, for example – are on track to be in compliance, either fully or on an interim status, by the July 1, 2004, deadline. Full compliance with the new security standards achieves an important milestone; however, this is only part of the port security and supply chain security challenges that face U.S. port authorities.

THE NEW ROLE OF THE PORT AUTHORITY

The role of U.S. port authorities has changed significantly since 9/11. Previously, port authorities served to manage the safe and efficient movement of passengers and cargo, and to direct the growth of the port to accommodate the nation's maritime transportation and economic strength. As we move into what will truly be the "new normalcy," port authorities will take on an important role in the security of their ports, and of commerce, that supports the American economy. As our individual facilities achieve compliance with Coast Guard regulations, they will turn their focus back to their commercial functions, as they must do in order to succeed. Port authorities must continue to fully secure ports, waterways, transportation infrastructure, and cargo supply chains.

CURRENT PORT SECURITY INITIATIVES

Access control to ports and port facilities is a critical component of port security, and access control will require a comprehensive credentialing program. The Los Angeles/Long Beach port complex, along with the Delaware River and the State of Florida, are participating in a pilot project for the “Transportation Worker Identification Credential” (TWIC) program, authorized in the MTSA. This program is entering its third phase, which will include testing of equipment and processes. We consider a federal credentialing program, such as TWIC, to be the solution to this major security challenge. To date, the TWIC program has not incorporated worker background checks, which has the potential to be of serious concern. We fully support the TWIC program and look forward to its full implementation. Ports throughout the nation are waiting for the TWIC program guidance before they can fully complete their access control systems and hope that the program will be compatible with programs put into place to meet the July 1 deadline for access control.

Supply chain security, particularly containerized freight, is a significant vulnerability. Because of the sheer volume and efficiency of the movement of goods through U.S. ports in containers, potential acts of terrorism involving freight containers represent a major threat not only to U.S. ports, but also to the entire nation. There are a number of projects underway to address this threat, one of which is Operation Safe Commerce. Three U.S. ports, Los Angeles/Long Beach, Seattle/Tacoma, and New York/New Jersey, in coordination with U.S. Customs and Border Protection, are participating in this program. Operation Safe Commerce is testing technologies and processes that will improve the security of international supply chains beginning at the foreign port of origination. AAPA encourages continued support for this important testing program, and we encourage Congress to incorporate the results of Operation Safe Commerce into any final container security program.

Another important supply chain security initiative within the Los Angeles/Long Beach port complex is the Joint Container Inspection Facility (JCIF). The JCIF will have an array of sophisticated container screening capabilities for use by U.S. Customs and Border Protection, as well as other law enforcement agencies. It will provide a means to efficiently screen a greater number of containers using the most effective technologies available. This project has received

grant funding for a feasibility study and preliminary design; however, funding for its construction, estimated at \$54 million, has yet to be identified.

The MTSA also requires security training for port facility employees. The Maritime Administration has several new initiatives underway to develop standards and certification for training programs. This is most welcome and will be very helpful. Additionally, several ports have undertaken training programs and are seeking training funds from the Office of Domestic Preparedness to help pay for the training mandates under MTSA. At the Port of Los Angeles, we are working on an Internet-based computer program to provide training at our facilities.

PORT SECURITY FUNDING NEEDS

The primary source of funding for port security projects has been federal grants administered by the Department of Homeland Security (DHS). The first three rounds of these grants with combined ODP money have distributed \$516 million to ports and facilities nationwide. The current fourth round will distribute an additional \$49.5 million. The DHS awarded these grants, through competitive process, to individual port facilities to help them attain compliance with MTSA regulations and to port authorities to fund major security infrastructure projects. In the first three rounds of grant awards, DHS funded less than 20 percent of the submitted applications. The MTSA authorizes a grant program to help pay for security enhancements. The current program has been moved three times, and the President requested only \$46 million and no personnel for this program. That represents only 4% of the first-year costs of complying with the MTSA. The grant program must have higher visibility and resources within DHS. The Coast Guard estimates the first-year cost to be \$1.25 billion. AAPA has called for \$400 million in funds for FY'05.

Of significant concern to port authorities are the varying degrees of security systems that are in place and coming on line at our facilities. Of the 27 regulated facilities within the Port of Los Angeles, 12 have been awarded grant funds from the first three rounds of grants. These facilities will be installing highly sophisticated state-of-the-art security systems. We are seeing that facilities that have not received grant funds are seeking MTSA compliance through lower-cost options that will not provide the same level of security. Within the Los Angeles/Long Beach

port complex, we are conducting a survey of our facilities to capture specific information on their security systems. We intend to use this information to seek the additional funding that will be required to bring all of our facilities to the same level of security, using state-of-the-art access control, surveillance, intrusion detection, and communications systems.

Many U.S. ports are now working to fully integrate their security systems. At the Los Angeles/Long Beach port complex, we are preparing a five-year security infrastructure development plan that will guide our efforts. In a previous grant round, our two ports were awarded a grant to construct a Joint Command and Control Center that will serve as the focal point for security operations within the port complex. We believe that this integration is vital to ensuring the security of the entire port complex, and that it will result in the most effective return to the nation of grant award dollars that go to individual facilities. This type of systems integration represents significant additional costs. Projects such as command and control facilities, port-wide surveillance systems and fiber optic data links cost tens of millions of dollars, and manpower. It will be essential that ports receive multiyear funding commitments to accompany annual appropriations.

As sophisticated security systems come on line throughout U.S. ports, facility managers and port authorities are beginning to address the issue of reoccurring costs for system operation and maintenance. These costs can be as much as 10% to 15% of the acquisition costs. We believe that these reoccurring costs will pose a significant challenge in the future.

PENDING PORT SECURITY FUNDING LEGISLATION

Representative Juanita Millender-McDonald's bill, H.R. 3712, authorizes a grant program within the Department of Homeland Security that calls for \$800 million a year in grants over five years. This figure is based on the cost estimates projected by the Coast Guard to accomplish port security throughout the United States. While the MTSA authorized a grant program, it was not within DHS and had no funding amount authorized.

Furthermore, this legislation provides for multiyear funding through a Letter of Intent for long-range projects requiring more than a year to complete. A major advantage to this approach is the guarantee of funding before a port undertakes such a project. AAPA supports H.R. 3712 as

legislation that will help ports more efficiently achieve large security projects. To ensure that ports seeking smaller single-year projects are not disadvantaged, AAPA recommends that Congress establish a cap on the percentage of funds allocated to multiyear awards.

Similarly, Congressman Ose's legislation, H.R. 2193, would dedicate a portion of the over \$16 billion in Customs duties collected annually through maritime transportation at each port and redirect those dollars back to the respective ports for security infrastructure improvements. AAPA supports H.R. 2193 and the utilization of Customs revenues as a source of dedicated funding for security.

AAPA believes these bills, along with adequate appropriations levels, would create adequate funding for port security projects. As you are aware, the maritime industry is already subject to a large number of fees. AAPA and its member ports oppose new taxes or fees placed on maritime commerce as a means to pay for security improvements.

IN CLOSING

In closing, Mr. Chairman and members of the subcommittee, on behalf of AAPA and the Los Angeles/Long Beach port complex, I appreciate the opportunity to discuss these important issues. We encourage you to strongly support legislation that will provide badly needed funds for port security such as H.R. 2193 and H.R. 3712. Additionally, we encourage you to continue to support the initiatives that will be critical to accomplishing robust security for U.S. ports such as the TWIC program, Operation Safe Commerce, the Joint Container Inspection Facility and security training.

This concludes my testimony, and I look forward to answering any questions you may have.